

CITY OF TORRINGTON, WYOMING

FINANCIAL REPORT

JUNE 30, 2012

LEO RILEY & Co.

Certified Public Accountants

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To the City Council
City of Torrington, Wyoming
Torrington, Wyoming

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Torrington, Wyoming as of and for the year ended June 30, 2012, which collectively comprise the City of Torrington, Wyoming's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Torrington, Wyoming's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Torrington, Wyoming as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2013 on our consideration of the City of Torrington, Wyoming's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Management has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 29 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Torrington, Wyoming's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

NOTICE

The accompanying financial statements, supplementary schedules, and our independent auditors' reports are for the purpose of meeting local, state and federal requirements and are for the use of those entities, management, and the City Council, and should not be used or relied upon by any other party for any purpose. Additional users of these financial statements, supplementary schedules, and our independent auditors' reports are hereby advised that the liability of Leo Riley & Co., CPAs to third party users who use or rely on this information may be limited pursuant to 1995 Wyo. Sess. Laws, Chapter 155 creating Wyo. Stat. §33-3-201. However, the financial statements and our independent auditors' report on the financial statements are a matter of public record and their distribution is not limited.


March 19, 2013

CITY OF TORRINGTON, WYOMING

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Pooled cash and cash equivalents	\$ 1,547,426	\$ 6,733,530	\$ 8,280,956
Non-pooled cash and cash equivalents	173,276	166,021	339,297
Investments	424,041		424,041
Receivables (net of allowance for uncollectibles)			
Taxes	300,827	305,747	606,574
Accounts receivable	147,165	1,230,239	1,377,404
Claims receivable	32,304		32,304
Grants receivable	15,347		15,347
Interest receivable	2,907		2,907
Inventory	78,528	523,610	602,138
Total current assets	<u>\$ 2,721,821</u>	<u>\$ 8,959,147</u>	<u>\$ 11,680,968</u>
Non-current assets:			
Unamortized bond costs	\$	\$ 34,597	\$ 34,597
Bond reserve		29,500	29,500
Capital assets			
Land	1,082,833	342,633	1,425,466
Buildings and improvements	15,678,583	39,241,214	54,919,797
Machinery and equipment	3,291,024	2,901,303	6,192,327
Transportation equipment	1,400,753	1,399,259	2,800,012
Furniture and fixtures		8,628	8,628
Streets	2,652,377		2,652,377
Accumulated depreciation	(8,726,916)	(14,265,844)	(22,992,760)
Construction in progress	98,482		98,482
Total non-current assets	<u>\$ 15,477,136</u>	<u>\$ 29,691,290</u>	<u>\$ 45,168,426</u>
Total assets	<u>\$ 18,198,957</u>	<u>\$ 38,650,437</u>	<u>\$ 56,849,394</u>
LIABILITIES			
Current liabilities:			
Checks in excess of deposits	\$ 43,256	\$	\$ 43,256
Accounts payable	362,732	749,618	1,112,350
Compensated absences	134,873	123,530	258,403
Retainage payable	27,395		27,395
Claims payable	248,263		248,263
Customer deposits		114,574	114,574
Current portion of long-term debt	104,785	395,468	500,253
Total current liabilities	<u>\$ 921,304</u>	<u>\$ 1,383,190</u>	<u>\$ 2,304,494</u>
Non-current liabilities:			
Revenue bonds	\$	\$ 80,000	\$ 80,000
Notes and lease obligations payable	219,685	3,518,531	3,738,216
Landfill closure and postclosure costs		1,452,831	1,452,831
Total non-current liabilities	<u>\$ 219,685</u>	<u>\$ 5,051,362</u>	<u>\$ 5,271,047</u>
Total liabilities	<u>\$ 1,140,989</u>	<u>\$ 6,434,552</u>	<u>\$ 7,575,541</u>
NET ASSETS			
Investment in capital assets, net of related debt	\$ 15,617,360	\$ 25,633,194	\$ 41,250,554
Restricted		29,500	29,500
Unrestricted - Restated	1,440,608	6,553,191	7,993,799
Total net assets	<u>\$ 17,057,968</u>	<u>\$ 32,215,885</u>	<u>\$ 49,273,853</u>

(The accompanying notes to the basic financial statements
are an integral part of this statement)

CITY OF TORRINGTON, WYOMING

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities:							
General government	\$ 2,174,945	\$ 1,140,142	\$ 499,090	\$	\$(535,713)	\$	\$(535,713)
Public safety	2,371,892	129,673	322,223		(1,919,996)		(1,919,996)
Public works	849,226				(849,226)		(849,226)
Health, welfare and recreation	2,178,701	1,095,231	320,892		(762,578)		(762,578)
Transportation	403,851	221,573		1,992	(180,286)		(180,286)
Total governmental activities	<u>\$ 7,978,615</u>	<u>\$ 2,586,619</u>	<u>\$ 1,142,205</u>	<u>\$ 1,992</u>	<u>\$(4,247,799)</u>	<u>\$</u>	<u>\$(4,247,799)</u>
Business-type activities:							
Water	\$ 1,770,136	\$ 2,452,781	\$	\$ 924,941	\$	\$ 1,607,586	\$ 1,607,586
Sewer	1,294,110	1,291,889		43,167		40,946	40,946
Electrical	9,125,032	9,676,914				551,882	551,882
Sanitation	1,321,258	1,433,514	7,100			119,356	119,356
Total business-type activities	<u>\$ 13,510,536</u>	<u>\$ 14,855,098</u>	<u>\$ 7,100</u>	<u>\$ 968,108</u>	<u>\$</u>	<u>\$ 2,319,770</u>	<u>\$ 2,319,770</u>
Total primary government	<u>\$ 21,489,151</u>	<u>\$ 17,441,717</u>	<u>\$ 1,149,305</u>	<u>\$ 970,100</u>	<u>\$(4,247,799)</u>	<u>\$ 2,319,770</u>	<u>\$(1,928,029)</u>
General revenues:							
Taxes -							
Sales tax					\$ 882,790	\$	\$ 882,790
Use tax					189,209		189,209
Property tax					254,525		254,525
Motor vehicle in lieu of tax					104,855		104,855
Cigarette tax					55,844		55,844
State gas tax					139,930		139,930
Severance tax					238,567		238,567
Other tax					922,678		922,678
Gain on the sale of assets					302,879		302,879
Impact revenue					1,057,647		1,057,647
Mineral royalty					313,293		313,293
Miscellaneous revenue					107,278		107,278
Transfer					(234,615)	234,615	
Unrestricted investment earnings					114,912		114,912
Utility franchises					82,359		82,359
Total general revenues					<u>\$ 4,532,151</u>	<u>\$ 234,615</u>	<u>\$ 4,766,766</u>
Change in net assets					\$ 284,352	\$ 2,554,385	\$ 2,838,737
Net assets at beginning of year -restated (Note 16)					16,773,616	29,661,500	46,435,116
Net assets at end of year					<u>\$ 17,057,968</u>	<u>\$ 32,215,885</u>	<u>\$ 49,273,853</u>

(The accompanying notes to the basic financial statements are an integral part of this statement)

CITY OF TORRINGTON, WYOMING

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Airport Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Pooled cash and cash equivalents	\$ 1,360,699	\$	\$ 186,727	\$ 1,547,426
Non-pooled cash and cash equivalents	515		13,438	13,953
Investments	424,041			424,041
Receivables (net of allowance for uncollectibles)				
Taxes	300,826			300,826
Accounts receivable	99,304	5,746	42,115	147,165
Grants receivable	15,347			15,347
Interest receivable	2,907			2,907
Inventory	78,528			78,528
Total assets	<u>\$ 2,282,167</u>	<u>\$ 5,746</u>	<u>\$ 242,280</u>	<u>\$ 2,530,193</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 311,507	\$ 6,190	\$ 45,034	\$ 362,731
Retainage payable	27,395			27,395
Total liabilities	<u>\$ 338,902</u>	<u>\$ 6,190</u>	<u>\$ 45,034</u>	<u>\$ 390,126</u>
Fund balances				
Nonspendable	\$ 78,528	\$	\$	\$ 78,528
Committed		(444)	197,246	196,802
Unassigned	1,864,737			1,864,737
Total fund balances	<u>\$ 1,943,265</u>	<u>\$ (444)</u>	<u>\$ 197,246</u>	<u>\$ 2,140,067</u>
Total liabilities and fund balances	<u>\$ 2,282,167</u>	<u>\$ 5,746</u>	<u>\$ 242,280</u>	<u>\$ 2,530,193</u>

Amounts reported for governmental activities
in the statement of net assets are different
because:

Total fund balance per balance sheet	\$ 2,140,067
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	15,477,137
Internal service funds are used by management to charge the cost of group health to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	(99,892)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	(459,344)
Net assets of governmental activities	<u>\$ 17,057,968</u>

(The accompanying notes to the basic financial statements
are an integral part of this statement)

CITY OF TORRINGTON, WYOMING

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Airport Fund	Other Nonmajor Funds	Total Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 3,004,886	\$ 1,992	\$ 2,500	\$ 3,009,378
Taxes and special assessments	2,354,059	2,299		2,356,358
Fines and forfeitures	129,673			129,673
Charges for services	1,281,987	220,326	778,758	2,281,071
Licenses and permits	76,782			76,782
Other	360,070	1,249	536	361,855
Total revenues	<u>\$ 7,207,457</u>	<u>\$ 225,866</u>	<u>\$ 781,794</u>	<u>\$ 8,215,117</u>
EXPENDITURES				
Current				
General government	\$ 1,545,267	\$	\$	\$ 1,545,267
Public safety	2,100,690			2,100,690
Public works	681,195			681,195
Health, welfare and recreation	633,590		1,249,769	1,883,359
Transportation		294,358		294,358
Capital outlay	279,076		59,872	338,948
Debt service -				
Principal retirement	142,463		15,007	157,470
Interest and fiscal charges	12,005			12,890
Total expenditures	<u>\$ 5,394,286</u>	<u>\$ 294,358</u>	<u>\$ 1,325,533</u>	<u>\$ 7,014,177</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,813,171</u>	<u>\$ (68,492)</u>	<u>\$ (543,739)</u>	<u>\$ 1,200,940</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	\$(794,307)	\$ 60,999	\$ 498,693	\$(234,615)
Proceeds from the sale of assets	492,777			492,777
Total other financing sources and uses	<u>\$(301,530)</u>	<u>\$ 60,999</u>	<u>\$ 498,693</u>	<u>\$ 258,162</u>
Net changes in fund balances	\$ 1,511,641	\$ (7,493)	\$ (45,045)	\$ 1,459,102
Fund balances - Beginning of year - Restated	431,624	7,049	242,292	680,965
Fund balances - End of year	<u>\$ 1,943,265</u>	<u>\$ (444)</u>	<u>\$ 197,246</u>	<u>\$ 2,140,067</u>

(The accompanying notes to the basic financial statements
are an integral part of this statement)

CITY OF TORRINGTON, WYOMING

RECONCILIATION OF THE GOVERNMENTAL STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Amounts reported for governmental activities in the
statement of activities are different because:

Net change in fund balance - total governmental funds	\$ 1,459,102
Governmental funds report capital outlays as expenditure. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (Note 7)	(676,055)
The issuance of long-term debt (e.g. bonds, leases) provide current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (Note 8)	157,470
Net cost of capital assets sold that does not provide a current financial revenue	(189,898)
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits increased by:	(807)
Internal service funds are used by management to charge the costs of health claims to individual funds. The net expenses of certain activities of internal service funds is reported within governmental activities.	(465,460)
Changes in net assets of governmental activities.	<u>\$ 284,352</u>

(The accompanying notes to the basic financial statements
are an integral part of this statement)

CITY OF TORRINGTON, WYOMING

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2012

	Business-type Activities Enterprise Funds					Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Total	
ASSETS						
Current assets						
Pooled cash and cash equivalents	\$ 881,257	\$ 1,880,641	\$ 3,731,223	\$ 240,409	\$ 6,733,530	\$
Non-pooled cash and cash equivalents		43,297		122,724	166,021	159,323
Receivables (net of allowance for uncollectibles)						
Accounts receivable	203,192	103,760	782,897	140,390	1,230,239	
Claims receivable						32,304
Unbilled services	59,094		246,653		305,747	
Inventory, at cost	114,649	1,343	407,618		523,610	
Total current assets	<u>\$ 1,258,192</u>	<u>\$ 2,029,041</u>	<u>\$ 5,168,391</u>	<u>\$ 503,523</u>	<u>\$ 8,959,147</u>	<u>\$ 191,627</u>
Non-current assets						
Unamortized bond costs	\$	\$ 3,097	\$ 31,500	\$	\$ 34,597	\$
Bond reserve - Restricted		29,500			29,500	
Capital assets						
Land	42,726	15,737	71,045	213,125	342,633	
Buildings and improvements	17,611,177	9,233,064	12,056,240	340,733	39,241,214	
Machinery and equipment	225,285	287,710	434,569	1,953,739	2,901,303	
Transportation equipment	84,180	106,350	560,214	648,515	1,399,259	
Furniture and fixtures			8,628		8,628	
Accumulated depreciation	(4,357,994)	(3,069,809)	(4,472,403)	(2,365,638)	(14,265,844)	
Total capital assets net of accumulated depreciation	<u>\$ 13,605,374</u>	<u>\$ 6,573,052</u>	<u>\$ 8,658,293</u>	<u>\$ 790,474</u>	<u>\$ 29,627,193</u>	<u>\$</u>
Total non-current assets	<u>\$ 13,605,374</u>	<u>\$ 6,605,649</u>	<u>\$ 8,689,793</u>	<u>\$ 790,474</u>	<u>\$ 29,691,290</u>	<u>\$</u>
Total assets	<u>\$ 14,863,566</u>	<u>\$ 8,634,690</u>	<u>\$ 13,858,184</u>	<u>\$ 1,293,997</u>	<u>\$ 38,650,437</u>	<u>\$ 191,627</u>

(Continued)

(The accompanying notes to the basic financial statements are an integral part of this statement)

	Business-type Activities Enterprise Funds					Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Total	
LIABILITIES						
Current liabilities						
Accounts payable	\$ 12,985	\$ 92,473	\$ 626,505	\$ 17,385	\$ 749,618	\$
Checks in excess of deposits						43,256
Accrued liabilities	56,707	10,336	49,077	7,410	123,530	
Claims payable						248,263
Customer deposits			114,574		114,574	
Current portion of long-term debt	179,819	30,649	185,000		395,468	
Total current liabilities	<u>\$ 249,511</u>	<u>\$ 133,728</u>	<u>\$ 975,156</u>	<u>\$ 24,795</u>	<u>\$ 1,383,190</u>	<u>\$ 291,519</u>
Non-current liabilities						
Revenue bonds	\$	\$ 80,000	\$	\$	\$ 80,000	\$
Notes and lease obligations payable	2,599,613	108,918	810,000		3,518,531	
Landfill closure and postclosure costs				1,452,831	1,452,831	
Total non-current liabilities	<u>\$ 2,599,613</u>	<u>\$ 188,918</u>	<u>\$ 810,000</u>	<u>\$ 1,452,831</u>	<u>\$ 5,051,362</u>	<u>\$</u>
Total liabilities	<u>\$ 2,849,124</u>	<u>\$ 322,646</u>	<u>\$ 1,785,156</u>	<u>\$ 1,477,626</u>	<u>\$ 6,434,552</u>	<u>\$ 291,519</u>
NET ASSETS						
Investment in capital assets, net of related debt	\$ 10,825,942	\$ 6,353,485	\$ 7,663,293	\$ 790,474	\$ 25,633,194	\$
Restricted		29,500			29,500	(99,892)
Unrestricted	<u>1,188,500</u>	<u>1,929,059</u>	<u>4,409,735</u>	<u>(974,103)</u>	<u>6,553,191</u>	
Total net assets	<u>\$ 12,014,442</u>	<u>\$ 8,312,044</u>	<u>\$ 12,073,028</u>	<u>\$ (183,629)</u>	<u>\$ 32,215,885</u>	<u>\$ (99,892)</u>

CITY OF TORRINGTON, WYOMING

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities Enterprise Funds					Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Total	
OPERATING REVENUE						
Charges for services	\$ 1,823,003	\$ 1,255,214	\$ 9,597,627	\$ 1,424,127	\$ 14,099,971	\$ 887,467
Miscellaneous	629,778	36,675	79,287	9,387	755,127	
Total operating revenue	<u>\$ 2,452,781</u>	<u>\$ 1,291,889</u>	<u>\$ 9,676,914</u>	<u>\$ 1,433,514</u>	<u>\$ 14,855,098</u>	<u>\$ 887,467</u>
OPERATING EXPENSES						
Salaries and benefits	\$ 458,412	\$ 218,498	\$ 805,962	\$ 424,279	\$ 1,907,151	\$
Public works	666,171	790,692	7,661,902	749,931	9,868,696	
Claims paid						1,356,559
Depreciation	574,310	274,874	464,652	144,101	1,457,937	
Total operating expenses	<u>\$ 1,698,893</u>	<u>\$ 1,284,064</u>	<u>\$ 8,932,516</u>	<u>\$ 1,318,311</u>	<u>\$ 13,233,784</u>	<u>\$ 1,356,559</u>
OPERATING INCOME (LOSS)	\$ 753,888	\$ 7,825	\$ 744,398	\$ 115,203	\$ 1,621,314	\$ (469,092)
NONOPERATING REVENUES (EXPENSES)						
Grants	924,941	43,167		7,100	975,208	
Interest income						3,632
Interest expense	(71,243)	(8,735)	(152,984)	(2,947)	(235,909)	
Bond costs		(1,311)	(39,532)		(40,843)	
INCOME (LOSS) BEFORE TRANSFERS	\$ 1,607,586	\$ 40,946	\$ 551,882	\$ 119,356	\$ 2,319,770	\$ (465,460)
TRANSFERS IN (OUT) - CASH	234,615				234,615	
TRANSFERS IN (OUT) - CAPITAL ASSETS	(622,128)	314,206	307,922			
CHANGES IN NET ASSETS	\$ 1,220,073	\$ 355,152	\$ 859,804	\$ 119,356	\$ 2,554,385	\$ (465,460)
NET ASSETS - Beginning of year	10,794,369	7,956,892	11,213,224	(302,985)	29,661,500	365,568
NET ASSETS - End of year	<u>\$ 12,014,442</u>	<u>\$ 8,312,044</u>	<u>\$ 12,073,028</u>	<u>\$ (183,629)</u>	<u>\$ 32,215,885</u>	<u>\$ (99,892)</u>

(The accompanying notes to the basic financial statements are an integral part of this statement)

CITY OF TORRINGTON, WYOMING
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities Enterprise Funds					Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 1,719,660	\$ 1,247,422	\$ 9,488,577	\$ 1,383,289	\$ 13,838,948	\$ 855,163
Payments to employees and employee benefits	(462,009)	(213,170)	(789,327)	(422,457)	(1,886,963)	
Payments for supplies	(677,539)	(719,513)	(7,501,892)	(648,909)	(9,547,853)	
Payments for insurance premiums and claims						(1,204,718)
Other receipts (payments)	628,992	32,403	80,898		742,293	1,116
Net cash provided by operating activities	<u>\$ 1,209,104</u>	<u>\$ 347,142</u>	<u>\$ 1,278,256</u>	<u>\$ 311,923</u>	<u>\$ 3,146,425</u>	<u>\$ (348,439)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Checks in excess of deposits	\$	\$	\$	\$	\$	\$ 43,256
Transfers from other funds	234,615				234,615	
Net cash flows from noncapital financing activities	<u>\$ 234,615</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 234,615</u>	<u>\$ 43,256</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition, disposal and construction of capital assets	\$(1,233,144)	\$(63,627)	\$(216,591)	\$(8,220)	\$(1,521,582)	\$
Principal payments on capital leases and other long-term debt	(180,280)	(30,383)	(188,759)	(66,028)	(465,450)	
Interest payments on capital leases and other long-term debt	(73,979)	(8,856)	(152,984)	(2,947)	(238,766)	
Contribution in aid of construction	924,941	43,167		7,100	975,208	
Net cash used for capital and related financing activities	<u>\$(562,462)</u>	<u>\$(59,699)</u>	<u>\$(558,334)</u>	<u>\$(70,095)</u>	<u>\$(1,250,590)</u>	<u>\$</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income received	\$	\$	\$	\$	\$	\$ 3,633
Net increase (decrease) in cash and cash equivalents	\$ 881,257	\$ 287,443	\$ 719,922	\$ 241,828	\$ 2,130,450	\$(301,550)
Cash and cash equivalents - Beginning of year		1,636,495	3,011,301	121,305	4,769,101	460,873
Cash and cash equivalents - End of year	<u>\$ 881,257</u>	<u>\$ 1,923,938</u>	<u>\$ 3,731,223</u>	<u>\$ 363,133</u>	<u>\$ 6,899,551</u>	<u>\$ 159,323</u>

(The accompanying notes to the basic financial statements are an integral part of this statement)

Reconciliation of operating income to net cash
provided by (used for) operating activities:

Operating income	\$ 753,888	\$ 7,825	\$ 744,398	\$ 115,203	\$ 1,621,314	\$ (469,092)
Adjustments to reconcile operating income to net cash provided by activities:						
Depreciation	\$ 574,310	\$ 274,874	\$ 464,652	\$ 144,101	\$ 1,457,937	\$
Provision for bad debts	8,345	684	1,675	1,184	11,888	
(Increase) decrease in -						
Receivables	(112,475)	(12,750)	(44,308)	(51,409)	(220,942)	
Claims receivable						(32,304)
Inventory	(3,624)	(15)	(3,434)		(7,073)	
(Increase) decrease in -						
Accounts payable	(7,744)	70,286	155,098	4,853	222,493	
Claims payable						152,957
Deposits					2,303	
Accrued compensated absences	(3,596)	6,238	(42,128)	1,412	(38,074)	
Closure/postclosure liability				96,579	96,579	
Total adjustments	<u>\$ 455,216</u>	<u>\$ 339,317</u>	<u>\$ 533,858</u>	<u>\$ 196,720</u>	<u>\$ 1,525,111</u>	<u>\$ 120,653</u>
Net cash provided by operating activities	<u>\$ 1,209,104</u>	<u>\$ 347,142</u>	<u>\$ 1,278,256</u>	<u>\$ 311,923</u>	<u>\$ 3,146,425</u>	<u>\$ (348,439)</u>

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF THE CITY OF TORRINGTON AND THE REPORTING ENTITY

Reporting Entity

The City of Torrington operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Torrington. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Torrington.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The basic criteria for inclusion in the City's financial statements is control by or dependence on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective board. Based upon the application of these criteria, there are no potential component units which should be included in the reporting entity.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

These financial statements reflect the required changes as required by GASB-34.

The City has elected not to present the Management Discussion and Analysis.

The City's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenue and expenses.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregated transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and financial statements is on major funds. Each major fund is presented in a separate column.

The major focus of these fund financial statements of the governmental funds is upon determination of financial position and changes in this financial position (sources, uses, and balances of financial resources).

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of any interfund activity has been eliminated from the government-wide financial statements.

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Proprietary Funds

Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods and services.

The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting and reporting for its proprietary operations.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule are charges for sales and purchases of goods and services between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expense from nonoperating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for services and benefit fees. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data

The City Treasurer submits an annual budget to the City Council prior to May 15 for the fiscal year commencing the following July 1. In July, a public hearing is conducted to obtain public comments. Subsequently, the City Council adopts the annual fiscal year appropriated budget for City funds. These include General Government, Public Safety and Transportation, Public Works, Health, Welfare and Recreation, and Capital Outlay. Once approved the City Council may transfer any unencumbered or unexpended appropriation balance or part thereof from one fund, department or account to another after publication of notice. Budget amounts have been amended in accordance with Wyoming State Statutes.

The budget for the General Fund is prepared on the cash and expenditures/encumbrance basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations excluding appropriations for capital projects shall lapse at fiscal year end to the extent they are not expended or encumbered.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: employee services, contractual services, materials and supplies, capital improvements, special departmental expense, and depreciation reserve. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval.

Cash and Investments

A portion of the City's funds are held in pooled accounts. Each fund's share of the pooled accounts is maintained. These shares are shown as "Pooled cash and cash equivalents" under assets for balances of cash.

Investments

Wyoming State statute authorizes the City to invest in securities issued or guaranteed by the U.S. Treasury or agencies of the United States government, bank certificates of deposit, shares or savings certificates of savings and loan associations, Tennessee Valley Authority bonds, and notes and export-import bank notes and guaranteed participations.

Unbilled Services

Utility revenues for services provided between the last billing date and the end of the year are estimated and accrued and recorded as unbilled receivables in the accompanying financial statements for enterprise funds.

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts

The policy of the City has been to retain bad debts on the books until they have been proven to be uncollectible. Customer deposits held by the City normally cover the amounts of unpaid bills. Those amounts still remaining unpaid after applying customer deposits are turned over to a collection agency. The allowance is computed as a percentage of those turned over for collection.

Inventories

Inventory in the General Fund and Enterprise Funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the General Fund are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of the current assets.

Capital Assets

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Assets with an estimated historical cost have been computed by taking current estimated replacement costs and discounting this cost by using an estimate for the consumer price index. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	25 - 50 years
Improvements	10 - 60 years
Transportation equipment	3 - 12 years
Furniture, fixtures and equipment	3 - 10 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets effective July 1, 2003. Infrastructure assets include roads, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City.

In accordance with the provisions of GASB No. 34, the City has elected not to apply the retroactive restatement of infrastructure assets in place at June 30, 2003 and will only include such assets acquired after July 1, 2003.

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Vacation benefits do not vest with employees and any unused amount lapses at calendar year end. Upon termination employees with ten years of service are paid ten dollars a day to a maximum of 60 days for any unused sick leave.

The estimated portions of the liability for vested vacation attributable to the City's funds is recorded as an expenditure/expense and liability in the respective funds.

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes are levied, billed, and collected by Goshen County on behalf of the City of Torrington. Taxes are levied on or about August 1 and payable in two installments on September 1 and March 1. The installments are considered delinquent if not paid by November 10 and May 10, respectively. If the taxpayer fails to pay the first installment by November 10, the taxpayer may pay the entire liability by December 31 and avoid an interest charge. If taxes are not paid in accordance with the prescribed delinquent dates, a tax lien attaches to the property on August 1.

Property tax revenues are recognized when levied to the extent that they result in current receivables, which means when collected within the current period or expected to be collected within 60 days of the fiscal year end to be used to pay liabilities of the current period.

For the year ended June 30, 2012, the City has assessed 8 mills for general operations, which is the maximum allowed by statute.

Cash and Cash Equivalents - Enterprise Fund Type

For purposes of the statement of cash flows, the Enterprise Fund and Internal Service Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Internal Service Fund

Claims Liabilities - The City records an estimated liability for health care incurred by participants in the health benefit plan. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

NOTE 3. PENSION PLAN

Wyoming Retirement System

The City participates in the Wyoming Retirement System ("System"), a statewide cost-sharing multiple-employer public employee retirement system administered by the State of Wyoming Retirement System Board. Substantially all City full-time employees are eligible to participate. The System provides retirement, disability and

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 3. PENSION PLAN (Continued)

death benefits according to predetermined formulas. Benefits are established by Title 9, Chapter 3 of the Wyoming Statutes. The System issues a publicly available financial report which includes audited financial statements and required supplementary information for the System. The report may be obtained by writing to the Wyoming Retirement System, First Floor East, Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002.

Plan members are required to contribute a percentage of their annual covered salary and the City is required to contribute a percentage of the annual covered payroll as follows:

	<u>Plan Member Contribution</u>	<u>District Contribution</u>
All employees	7.00%	7.12%
Additional law enforcement	1.60%	1.48%

Legislation enacted in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contribution. The City pays 100% of the total contribution. Contribution rates are established by Title 9, Chapter 3 of the Wyoming Statutes. The contributions to the system for the years ended June 30, 2012, 2011, and 2010 were \$487,778, \$470,991, and \$351,206, respectively.

NOTE 4. INVESTMENTS

Wyoming statute authorizes the City to invest in obligations of the U.S. Treasury, U.S. guaranteed real estate mortgages, Farm Home Administration (FHA) insured notes, FHA debentures and savings certificates and certificates of deposit which are federally insured, or secured by a pledge of assets, provided the pledge is authorized by the FDIC. All of the securities are held in the City's name.

Investments, other than certificates of deposit, held at June 30, 2012 by the City consisted of U.S. guaranteed real estate mortgages and obligations of the U.S. Treasury. Maturities range from 2022 - 2040. All of the bonds are rated AAA.

	<u>Fair Market Value</u>	<u>Cost</u>	<u>Valuation Allowance</u>
General Fund - U.S. government securities	<u>\$ 424,041</u>	<u>\$ 411,020</u>	<u>\$ 13,021</u>

The City is exposed to risk that these investments will decline or increase in value based upon changes in current market interest rates. The future maturities of these investments are as follows:

	<u>Fair Value</u>		
	<u>Tennessee Valley Bonds</u>	<u>GNMA Bonds</u>	<u>FHL Bonds</u>
<u>Maturities</u> More than 10 years	<u>\$ 145,186</u>	<u>\$ 263,875</u>	<u>\$ 14,980</u>

CITY OF TORRINGTON, WYOMING

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 5. SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the City to place a final cover on its solid waste landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs in each period based on landfill capacity used as of each balance sheet date. There are two phases in the landfill plan. Phase I has an original estimated life of eleven to sixteen years. Phase II would begin as the cells in Phase I are completely filled and has an estimated life of fifteen years.

The \$1,452,831 reported as landfill closure and postclosure care liability at June 30, 2012, represents the total estimated closure and postclosure costs to date. The closure and postclosure care costs are charged to expense based on annual usage compared to estimated total capacity of the landfill. Estimated closure and postclosure costs for all phases are \$2,457,250. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The estimated landfill closure costs have been updated due to a reevaluation of the expected life of the landfill and its capacity. The estimated remaining life is about 11.5 years and it is approximately 39% full.

The Wyoming Department of Environmental Quality requires that the City provide assurance as to how the costs would be funded prior to April 9, 1995.

The closure and postclosure costs charged to expense based on estimated usage were \$96,579 for the year ended June 30, 2012.

NOTE 6 ACCOUNTS RECEIVABLE

The accounts receivable recorded consists of user fees and other miscellaneous revenue. Scheduled below is the accounts receivable net of any allowance recorded:

Governmental Activities

	General Fund	Airport Fund	Cemetery Fund	Golf Fund	Ambulance Fund	Total
Accounts receivable	\$ 99,304	\$ 5,746	\$ 1,934	\$ 150	\$ 44,553	\$ 151,687
Allowance for uncollectible accounts					(4,522)	(4,522)
	<u>\$ 99,304</u>	<u>\$ 5,746</u>	<u>\$ 1,934</u>	<u>\$ 150</u>	<u>\$ 40,031</u>	<u>\$ 147,165</u>

Proprietary Funds

	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Total
Accounts receivable	\$ 221,728	\$ 112,706	\$ 852,558	\$ 148,923	\$ 1,335,915
Allowance for uncollectible accounts	(18,536)	(8,946)	(69,661)	(8,533)	(105,676)
Net receivables	<u>\$ 203,192</u>	<u>\$ 103,760</u>	<u>\$ 782,897</u>	<u>\$ 140,390</u>	<u>\$ 1,230,239</u>

Accounts receivable	Total
Allowance for uncollectible accounts	\$ 1,487,602
Net receivables	(110,198)
	<u>\$ 1,377,404</u>

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS

Capital asset activity during 2012 was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Government activities:				
Land	\$ 1,220,283	\$	\$ 137,430	\$ 1,082,853
Building and improvements	15,695,065	100,068	116,550	15,678,583
Machinery and equipment	3,214,767	76,257		3,291,024
Transportation equipment	1,400,753			1,400,753
Streets	2,523,919	128,458		2,652,377
Construction in progress	64,316	65,522	31,356	98,482
	<u>\$ 24,119,103</u>	<u>\$ 370,305</u>	<u>\$ 285,336</u>	<u>\$ 24,204,072</u>
Accumulated depreciation	<u>\$ 7,776,016</u>	<u>\$ 1,015,003</u>	<u>\$ 64,103</u>	<u>\$ 8,726,916</u>
Business-type activities:				
Land	\$ 342,633	\$	\$	\$ 342,633
Building and improvements	37,641,573	1,599,641		39,241,214
Machinery and equipment	2,901,303			2,901,303
Transportation equipment	1,399,259			1,399,259
Furniture and fixtures	8,628			8,628
Construction in progress	78,059	1,178,765	1,256,824	
	<u>\$ 42,371,455</u>	<u>\$ 2,778,406</u>	<u>\$ 1,256,824</u>	<u>\$ 43,893,037</u>
Accumulated depreciation	<u>\$ 12,807,907</u>	<u>\$ 1,457,937</u>	<u>\$</u>	<u>\$ 14,265,844</u>

Included in fixed assets is capital leases of \$1,742,986 for vehicles and equipment.

Depreciation expense was charged to function as follows:

Governmental activities:	
General government	\$ 161,905
Public safety	260,810
Public works	190,781
Health, welfare and recreation	292,013
Transportation	109,494
Total government activities	<u>\$ 1,015,003</u>
Business-type activities:	
Water Fund	\$ 574,310
Sewer Fund	274,874
Electric Fund	464,652
Sanitation Fund	144,101
Total business-type activities	<u>\$ 1,457,937</u>

NOTE 8. GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

A summary of general fund long-term debt except for compensated absences is as follows:

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 8. GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (Continued)

	Balance June 30, 2012	Current Portion
<u>General Fund</u>		
Capital lease with Bank of the West for the purchase of equipment; 3.359% interest; matures December 2014; quarterly payments of \$26,117	\$ 249,470	\$ 97,285
Capital lease with Wyoming Association of Municipalities for the purchase of equipment; 0.00% interest; matures January 2020; quarterly payments of \$2,500	75,000	7,500
	<u>\$ 324,470</u>	<u>\$ 104,785</u>

A summary of changes in the governmental activities long-term debt for the year ended June 30, 2012, is presented below:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Lease purchase obligations	\$ 471,940	\$	\$ 147,470	\$ 324,470
Notes payable	10,000		10,000	
	<u>\$ 481,940</u>	<u>\$</u>	<u>\$ 157,470</u>	<u>\$ 324,470</u>

Total annual debt requirements to retire all long-term debt are as follows:

	Principal	Interest	Total
Year ended June 30,			
2013	\$ 104,785	\$ 7,183	\$ 111,968
2014	110,604	3,864	114,468
2015	61,581	652	62,233
2016	10,000		10,000
2017	10,000		10,000
2018 - 2020	27,500		27,500
	<u>\$ 324,470</u>	<u>\$ 11,699</u>	<u>\$ 336,169</u>

NOTE 9. LONG-TERM DEBT PROPRIETARY FUNDS

	Balance June 30, 2012	Current
<u>Water Fund</u>		
State of Wyoming, Wyoming State Loan and Investment Board; for financing two reverse osmosis units; 2.5% interest rate; annual payments of \$49,644; term 20 years; matures August 1, 2020	\$ 397,481	\$ 41,226
State of Wyoming, Wyoming State Loan and Investment Board; for financing two reverse osmosis units; 2.5% interest rate; annual payments \$28,066; matures December 1, 2021	245,411	21,836

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT PROPRIETARY FUNDS (Continued)

	Balance June 30, 2012	Current
<u>Water Fund</u>		
State of Wyoming, Wyoming State Loan and Investment Board; for financing raw water project; 2.5% interest rate; annual payments of \$6,144; matures May 1, 2024	\$ 62,961	\$ 4,570
State of Wyoming, Wyoming State Loan and Investment Board; for financing of water system improvements; 2.5% interest rate; annual payments of \$1,341; matures September 2027	17,473	897
State of Wyoming, Wyoming State Loan and Investment Board; for financing of water system treatment improvements; 2.5% interest rate; annual payment of \$804; matures September 2027	10,472	538
State of Wyoming, Wyoming State Loan and Investment Board; for financing of water system improvements and corrosion control study; 2.5% interest rate; annual payments of \$112,266 after the first year; matures February 1, 2027	1,388,585	77,017
State of Wyoming, Wyoming State Loan and Investment Board; for financing of water system improvements; 2.5% interest rate; annual payments of \$36,267; matures September 2027	472,638	24,270
State of Wyoming, Wyoming State Loan and Investment Board; for financing of water system improvements; 2.5% interest rate; annual payments of \$14,144; matures September 2027	184,321	9,465
	<u>\$ 2,779,342</u>	<u>\$ 179,819</u>
<u>Electric Fund</u>		
Capital lease with the Joint Powers Board for the refinancing of lines and equipment. Increments of interest 2.22%; matures December 2016	\$ 995,000	\$ 185,000

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT PROPRIETARY FUNDS (Continued)

	Balance June 30, 2012	Current
<u>Sewer Fund</u>		
Series 1998B Revenue Refunding Series Bonds; Wyoming Bank and Trust; issued in \$5,000 increments; interest ranging from 4% to 5.1%; matures December 1, 2014	\$ 100,000	\$ 20,000
State of Wyoming, Wyoming State Loan and Investment Board; for financing sewer lift station and improvements; annual payments \$13,767; 2.5% interest rate; matures May 1, 2022	119,567	10,649
	<u>\$ 219,567</u>	<u>\$ 30,649</u>
Total	<u>\$ 3,993,909</u>	<u>\$ 395,468</u>
Comprised of:		
Current portion of long-term debt	\$ 395,468	
Revenue bonds	80,000	
Notes and lease obligation payable	3,518,541	
	<u>\$ 3,993,909</u>	

Changes

A summary of changes in the long-term debt of the proprietary funds for the year ending June 30, 2012 follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Water Fund -				
State Loan and Investment Board	\$ 436,132	\$	\$ 38,651	\$ 397,481
State Loan and Investment Board	267,396		21,985	245,411
State Loan and Investment Board	11,008		536	10,472
State Loan and Investment Board	1,463,561		74,976	1,388,585
State Loan and Investment Board	18,367		894	17,473
State Loan and Investment Board	67,397		4,436	62,961
State Loan and Investment Board	496,825		24,187	472,638
State Loan and Investment Board	193,753		9,432	184,321
Water/Electric/Sanitation Capital Lease Obligation	95,060		95,060	
Sewer Fund -				
Series 1998B Refunding	120,000		20,000	100,000
State Loan and Investment Board	129,950		10,383	119,567
Electric Fund -				
Series 1998A Revenue Refunding	1,420,000		1,420,000	
Joint Powers Board		1,160,000	165,000	995,000
	<u>\$ 4,719,449</u>	<u>\$ 1,160,000</u>	<u>\$ 1,885,540</u>	<u>\$ 3,993,909</u>

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT PROPRIETARY FUNDS (Continued)

Summary

Total annual debt requirements of the enterprise funds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended June 30,			
2013	\$ 395,468	\$ 96,486	\$ 491,954
2014	408,808	87,853	496,661
2015	453,713	76,586	530,299
2016	408,732	65,668	474,400
2017	423,757	55,981	479,738
2018 - 2021	1,078,109	185,334	1,263,443
2022 - 2025	773,226	66,008	839,234
2026 - 2027	52,096	1,319	53,415
	<u>\$ 3,993,909</u>	<u>\$ 635,235</u>	<u>\$ 4,629,144</u>

NOTE 10. FUND BALANCE

Fund Balance

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the City itself enacted by resolution of the City Council. Committed fund balances cannot be used for any other purpose unless the commitment expires as set forth in the resolution, or a new City Council resolution amends the commitment.
- Assigned fund balance - amounts the City Council intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City utilizes restricted fund balances first followed by committed resources, and then assigned resources.

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10. FUND BALANCE (Continued)

The fund balances for the governmental funds have been classified as nonspendable for inventory as follows:

Major funds	
General fund	<u>\$ 78,528</u>

The fund balances for the governmental funds have been classified as committed as follows:

Major funds	
Airport fund	<u>\$ (444)</u>
Nonmajor funds	
Golf fund	\$(27,361)
Pool fund	(7,203)
Ambulance fund	237,326
Cemetery fund	<u>(5,516)</u>
	<u>\$ 197,246</u>

Restricted net assets in the enterprise funds consist of:

Sewer - Bond reserve	<u>\$ 29,500</u>
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NOTE 11. HEALTH INSURANCE TRUST FUND

The City has instituted a limited self-insured health care plan for its employees. This plan is accounted for in the internal service fund.

Revenue of the trust fund represents amounts collected from other funds of the City for insurance costs. Expenditures of the fund represent payments for claims, stop-loss coverage from a private insurance company and payments to an independent insurance company for processing and administration of claims.

A reconciliation of claims payable and paid at June 30, 2012 is as follows:

Claims incurred but not reported June 30, 2011	\$ 95,306
Claims incurred	1,356,559
Claims paid	<u>(1,203,602)</u>
Claims incurred but not reported June 30, 2012	<u>\$ 248,263</u>

NOTE 12. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred its risk by purchasing insurance from a commercial enterprise. There has been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City is also exposed to other contingencies through its implementation of a self-insured health benefit plan for the City's employees. The City has purchased stop-loss coverage to minimize their liability.

CITY OF TORRINGTON, WYOMING

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 13. CONSOLIDATED WYOMING MUNICIPALITIES ELECTRIC POWER SYSTEM JOINT POWER BOARD (Continued)

The Consolidated Wyoming Municipalities Electric Power System Joint Power Board issued \$3,285,000 of Electric Facilities Improvement Lease Revenue Bond Series 2009. The bonds are to provide Torrington improvements to its electrical utility system including construction of a portion of the new Western Area Power Administration's substation and transmission and distribution lines in order to provide service to the medium-security prison. The City of Torrington is a member of the Consolidated Wyoming Municipalities Electric Power System Joint Power Board.

During the year ending June 30, 2012, the City made a \$83,606 payment to Wells Fargo Bank, N.A. to cover the cost of the principal and interest of the Lease Revenue Bonds. Since the bonds are issued to the Joint Powers Board and they are liable, the payment is shown as a rent payment in the Electrical Fund.

NOTE 14. DEFICIT FUND BALANCES

Several funds have deficit fund balances. The deficit for each is listed as follows:

Cemetery Fund	Sanitation Fund	Golf Fund	Pool Fund
<u>\$ (5,516)</u>	<u>\$ (183,629)</u>	<u>\$ (27,361)</u>	<u>\$ (7,203)</u>

NOTE 15. SUMMARY OF INTERFUND TRANSFERS

A summary of fund transfers for the year follows:

	Transfers In	Transfers Out
General Fund	\$	\$ 234,615
Water Fund	234,615	
	<u>\$ 234,615</u>	<u>\$ 234,615</u>

This transfer is to transfer a portion of the proceeds from the Rankin property sale.

	Transfers In	Transfers Out
General Fund	\$	\$ 559,692
Airport Fund	60,999	
Pool Fund	79,875	
Golf Fund	289,823	
Cemetery	128,995	
	<u>\$ 559,692</u>	<u>\$ 559,692</u>

This transfer is to cover deficit balances incurred by funds.

	Transfers In	Transfers Out
Water Fund	\$	\$ 662,128
Electric Fund	307,922	
Sewer Fund	314,206	
	<u>\$ 622,128</u>	<u>\$ 662,128</u>

This transfer is to transfer the sewer and electrical portion of the metering facility.

CITY OF TORRINGTON, WYOMING
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 16. BEGINNING BALANCES RESTATED (Continued)

The ambulance fund's primary receipts and disbursements are paid out of pooled cash by the City of Torrington. However, there are also three additional cash accounts held by the ambulance personnel. The fund has two checking accounts for EMT training and community CPR training. The fund also has a savings account which receives memorial contributions. These three cash accounts were not included in the June 30, 2011 financial statements.

The government-wide and proprietary fund financial statements were restated as follows:

	<u>Governmental Activities</u>	<u>Nonmajor Funds</u>
Net assets balance as of June 30, 2011, as previously reported	\$ 16,759,090	\$ 666,439
Nonpooled cash	<u>14,526</u>	<u>14,526</u>
Net assets as of July 1, 2011, as restated	<u>\$ 16,733,616</u>	<u>\$ 680,965</u>

CITY OF TORRINGTON, WYOMING

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
REVENUES:				
Taxes and special assessments				
Sales taxes	\$ 809,601	\$ 809,601	\$ 859,667	\$ 50,066
Optional sales tax	651,943	651,943	922,678	270,735
Property taxes	230,000	230,000	180,888	(49,112)
Use taxes			187,915	187,915
Vehicle registration	100,000	100,000	104,855	4,855
Total taxes and special assessments	<u>\$ 1,791,544</u>	<u>\$ 1,791,544</u>	<u>\$ 2,256,003</u>	<u>\$ 464,459</u>
Licenses and permits				
Clerk licenses and permits	\$ 26,000	\$ 26,000	\$ 27,828	\$ 1,828
Building permits	40,000	40,000	48,954	8,954
Total licenses and permits	<u>\$ 66,000</u>	<u>\$ 66,000</u>	<u>\$ 76,782</u>	<u>\$ 10,782</u>
Fines and forfeitures				
Police fines - municipal court	<u>\$ 135,000</u>	<u>\$ 135,000</u>	<u>\$ 129,673</u>	<u>\$ (5,327)</u>
Intergovernmental revenue				
Mineral royalties	\$ 315,386	\$ 315,386	\$ 313,293	\$ (2,093)
Severance tax	242,124	242,124	238,567	(3,557)
Cigarette tax	58,493	58,493	55,844	(2,649)
State gas tax	151,577	151,577	137,631	(13,946)
Grants	1,190,482	1,450,482	1,018,082	(432,400)
Town dispatcher, reimbursement and 911	147,518	147,518	128,694	(18,824)
Rural fire protection reimbursement	29,346	29,346	35,732	6,386
Supplemental local government funding	1,057,647	1,057,647	1,057,647	
Weed and pest assessment	10,000	10,000	9,167	(833)
Total intergovernmental revenue	<u>\$ 3,202,573</u>	<u>\$ 3,462,573</u>	<u>\$ 2,994,657</u>	<u>\$ (467,916)</u>
Charges for services				
Police copies/report and wage reimbursement	\$ 4,000	\$ 4,000	\$ 8,334	\$ 4,334
Burglar alarms	500	500	400	(100)
Other	361,791	361,791	412,403	50,612
Total charges for services	<u>\$ 366,291</u>	<u>\$ 366,291</u>	<u>\$ 421,137</u>	<u>\$ 54,846</u>
Miscellaneous revenue				
Investment interest	\$ 70,000	\$ 70,000	\$ 111,267	\$ 41,267
Industrial park	8,000	8,000	8,766	766
Other income	106,700	211,076	79,091	(131,985)
Total miscellaneous revenue	<u>\$ 184,700</u>	<u>\$ 289,076</u>	<u>\$ 199,124</u>	<u>\$ (89,952)</u>
Utilities revenue				
Administrative fees	\$ 650,346	\$ 1,084,213	\$ 915,882	\$ (168,331)
Cable television franchise	30,000	30,000	27,428	(2,572)
Natural gas franchise	40,000	40,000	47,040	7,040
Telephone franchise	6,900	6,900	7,891	991
Total utilities revenue	<u>\$ 727,246</u>	<u>\$ 1,161,113</u>	<u>\$ 998,241</u>	<u>\$ (162,872)</u>
Total revenue	<u>\$ 6,473,354</u>	<u>\$ 7,271,597</u>	<u>\$ 7,075,617</u>	<u>\$ (195,980)</u>

(Continued)

(The accompanying notes to the required supplementary information
are an integral part of this schedule)

CITY OF TORRINGTON, WYOMING

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
EXPENDITURES:				
General government				
Salaries and benefits	\$ 451,527	\$ 451,527	\$ 442,302	\$ 9,225
Mayor and council	234,877	234,877	175,910	58,967
Judicial	121,350	121,350	109,777	11,573
Clerk	29,300	29,300	21,043	8,257
Treasurer	31,950	31,950	27,124	4,826
Maintenance	11,879	11,879	11,343	536
Lincoln Community Complex	192,740	192,740	157,772	34,968
Special community projects	792,817	1,052,817	924,467	128,350
Total general government	<u>\$ 1,866,440</u>	<u>\$ 2,126,440</u>	<u>\$ 1,869,738</u>	<u>\$ 256,702</u>
Public safety and transportation				
Salaries and benefits	\$ 1,849,890	\$ 1,849,890	\$ 1,707,059	\$ 142,831
Police department	389,568	389,568	311,583	77,985
Fire department	138,800	138,800	131,099	7,701
Building inspector	126,083	126,073	57,747	68,326
Capital outlay	10,000	10,000	21,326	(11,326)
Total public safety and transportation	<u>\$ 2,514,331</u>	<u>\$ 2,514,331</u>	<u>\$ 2,228,814</u>	<u>\$ 285,517</u>
Public works				
Salary and benefits	\$ 365,745	\$ 365,745	\$ 365,667	\$ 78
Streets	488,701	488,701	303,778	184,923
Shop	53,555	53,555	34,125	19,430
Storm drain maintenance	58,187	58,187	13,243	44,944
Industrial park	28,000	28,000	14,682	13,318
Capital outlay	187,316	187,316	68,595	118,721
Total public works	<u>\$ 1,181,504</u>	<u>\$ 1,181,504</u>	<u>\$ 800,090</u>	<u>\$ 381,414</u>
Health, welfare and recreation				
Salaries and benefits	\$ 145,369	\$ 145,369	\$ 133,700	\$ 11,669
Parks	178,439	178,439	90,016	88,423
Museum	35,187	35,187	30,040	5,147
Capital outlay	277,715	382,091	166,339	215,752
Total health, welfare and recreation	<u>\$ 636,710</u>	<u>\$ 741,086</u>	<u>\$ 420,095</u>	<u>\$ 320,991</u>
Total expenditures	<u>\$ 6,198,985</u>	<u>\$ 6,563,361</u>	<u>\$ 5,318,737</u>	<u>\$ 1,244,624</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 274,369	\$ 708,236	\$ 1,756,880	\$ 1,048,644
OTHER FINANCING SOURCES				
Transfers in from other funds		(260,728)	(794,307)	(533,579)
NET CHANGES IN FUND BALANCE	<u>\$ 274,369</u>	<u>\$ 447,508</u>	\$ 962,573	<u>\$ 515,065</u>
FUND BALANCE (Non-GAAP) - Beginning			836,961	
FUND BALANCE (Non-GAAP) - Ending			<u>\$ 1,799,534</u>	

(The accompanying notes to the required supplementary information
are an integral part of this schedule)

CITY OF TORRINGTON, WYOMING
BUDGETARY COMPARISON SCHEDULE - AIRPORT FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
REVENUES:				
Gas tax	\$ 2,500	\$ 2,500	\$ 2,299	\$ (201)
Grants	184,977	184,977	1,992	(182,985)
Fee service	180,460	180,460	218,212	37,752
Miscellaneous income			1,247	1,247
Total revenues	<u>\$ 367,937</u>	<u>\$ 367,937</u>	<u>\$ 223,750</u>	<u>\$ (144,187)</u>
EXPENDITURES:				
Transportation	\$ 202,309	\$ 240,619	\$ 283,580	\$ (42,961)
Capital outlay	188,752	188,752	7,453	181,299
Total expenditures	<u>\$ 391,061</u>	<u>\$ 429,371</u>	<u>\$ 291,033</u>	<u>\$ 138,338</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (23,124)</u>	<u>\$ (61,434)</u>	<u>\$ (67,283)</u>	<u>\$ (5,849)</u>
OTHER FINANCING SOURCES				
Transfers to other funds	<u>23,124</u>	<u>23,124</u>	<u>60,999</u>	<u>37,875</u>
NET CHANGES IN FUND BALANCE	<u>\$ _____</u>	<u>\$ (38,310)</u>	<u>\$ (6,284)</u>	<u>\$ 32,026</u>
FUND BALANCE (Non-GAAP) - Beginning			<u>20,843</u>	
FUND BALANCE (Non-GAAP) - Ending			<u>\$ 14,559</u>	

(The accompanying notes to the required supplementary information
are an integral part of this schedule)

CITY OF TORRINGTON, WYOMING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY DATA

NOTE 1. RECONCILIATION OF BUDGET TO ACTUAL DATA (NON-GAAP BUDGETARY BASIS)

The budget to actual comparison statements are prepared on a basis consistent with the City's budgeting system.

Under this basis (modified cash basis), which differs from generally accepted accounting principles, revenues are recognized when collected and expenditures are recorded as the liabilities are paid, except for certain accounts payable which are paid in the first week of July of the subsequent year and recorded in the current budget year as allowed by Wyoming Statutes. A reconciliation of the budget data to the actual by fund is presented as follows:

	<u>Accrual Basis</u>	<u>Basis of Accounting Difference</u>	<u>Modified Cash Basis</u>
<u>General Fund</u>			
Revenues	<u>\$ 7,700,234</u>	<u>\$ (624,617)</u>	<u>\$ 7,075,617</u>
Expenditures	<u>\$ 5,394,286</u>	<u>\$ (75,549)</u>	<u>\$ 5,318,737</u>
<u>Airport Fund</u>			
Revenues	<u>\$ 225,866</u>	<u>\$ (2,116)</u>	<u>\$ 223,750</u>
Expenditures	<u>\$ 294,358</u>	<u>\$ (3,325)</u>	<u>\$ 291,033</u>

NOTE 2. BUDGET VARIANCES

The amounts for the budget variance in the General Funds transfer line items represent amounts designated by the City Council to establish a reserve for landfill closure cost of the Sanitation Fund.

CITY OF TORRINGTON, WYOMING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Federal Grant/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Direct Award	10.766		\$ 7,100
Community Facilities			
Direct Loan Program			
U.S. Department of Transportation:			
Passed through the Wyoming Department of Transportation -			
Highway Planning and Construction Program	20.205		
Safe Routes to School		SR09010	\$ 16,189
Scenic Byway		WY10002	<u>14,144</u>
			30,333
U.S. Department of Justice:			
Direct Award			
COPS Hiring Recovery Program Grant - ARRA	16.170		55,793
Passed through State of WY DCI			
Edward Byrne Memorial Justice Assistance Grant	16.738		44,609
U.S. Department of Education:			
Passed through the Wyoming Department of Education -			
21st Century Learning Centers			
Passed through to Practice After School Program	84.287		303,045
U.S. Department of Homeland Security:			
Passed through Wyoming Office of Homeland Security			
FEMA Flood Disaster	97.036	FEMA 4007-DR-WY	49,825
U.S. Department of Health and Human Services:			
Passed through Wyoming Department of Family Services			
Promoting Safe and Stable Families	93.556		<u>36,843</u>
Total Expenditures of Federal Awards			<u>\$ 527,548</u>

CITY OF TORRINGTON, WYOMING

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Torrington, Wyoming and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of State, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

City Council
City of Torrington, Wyoming
Torrington, Wyoming

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Torrington, Wyoming as of and for the year ended June 30, 2012, which collectively comprise City of Torrington, Wyoming's basic financial statements and have issued our report thereon dated March 19, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Torrington, Wyoming's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Torrington, Wyoming's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Torrington, Wyoming's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

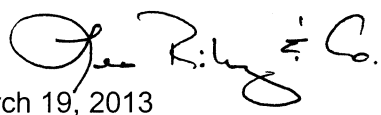
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. This item is identified as 12-1. A *significant* deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Torrington, Wyoming's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Torrington, Wyoming's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Torrington, Wyoming's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


March 19, 2013

City Council
City of Torrington, Wyoming
Torrington, Wyoming

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited City of Torrington, Wyoming's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Torrington, Wyoming's major federal programs for the year ended June 30, 2012. City of Torrington, Wyoming's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Torrington, Wyoming's management. Our responsibility is to express an opinion on City of Torrington, Wyoming's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Torrington, Wyoming's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Torrington, Wyoming's compliance with those requirements.

In our opinion City of Torrington, Wyoming complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of City of Torrington, Wyoming is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Torrington, Wyoming's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Torrington, Wyoming's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirements of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

City of Torrington, Wyoming's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Torrington, Wyoming's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


March 19, 2013

CITY OF TORRINGTON, WYOMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

FINDINGS - FINANCIAL STATEMENTS AUDIT

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Torrington, Wyoming.
2. One significant deficiency disclosed during the audit of the financial statements and is reported in the Schedule of Findings and Questioned Costs. This deficiency is not reported as material weakness.
3. No instances of noncompliance material to the financial statements of City of Torrington, Wyoming were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for City of Torrington, Wyoming expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for City of Torrington, Wyoming are reported in this Schedule.
7. The program tested as major program was U.S. Department of Education - 21st Century Community Learning Centers (CFDA 84.287).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of Torrington, Wyoming is not a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS)

SIGNIFICANT DEFICIENCIES

12-1 Separation of Duties

Criteria: An effective internal control structure of an organization will include procedures and actions to:

1. Protect its assets against theft and waste.
2. Ensure compliance with the organization's policies, procedures and statutory requirements.
3. Evaluate the performance of personnel to promote efficient operations.
4. Ensure accurate and reliable operating and accounting data.

Separation of duties requires that someone other than the employee responsible for safeguarding the asset must maintain the accounting records for that asset. When an organization separates duties of the employees, it minimizes the probability of an error or irregularity occurring and not being timely detected.

CITY OF TORRINGTON, WYOMING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

SIGNIFICANT DEFICIENCIES (Continued)

12-1 Separation of Duties (Continued)

Condition: Due to the small size of some departments of the City of Torrington, Wyoming, the possibility of adequate separation of duties over certain transaction cycles is limited.

Recommendation: While we recognize that it is impractical for the City to achieve complete separation of duties over all transaction cycles within the City, it is important that the Board be aware of the chance of errors and irregularities not being timely detected is elevated.

Auditee Response: The City has separated duties to the extent possible and has implemented compensating controls to monitor the accounting activities.

FINDINGS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

U.S. DEPARTMENT OF EDUCATION - 21st Century Community Learning Centers (CFDA 84.287)

No Audit Findings

CITY OF TORRINGTON, WYOMING
STATUS OF PRIOR YEAR FINDINGS

11-1 Separation of Duties

Ongoing comment and condition reflected as Finding 12-1 in current year.